

FLEXIBLE SPENDING ACCOUNTS

The **WSRC TEAM**



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Health Choice

Issued
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INTRODUCTION

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The Flexible Spending Accounts — the Health Care Account and Dependent Care Account — give you a way to set aside part of your pay on a pre-tax basis to pay for eligible health and dependent day care expenses. You avoid paying federal and state (in most states) income taxes and Social Security contributions on the money you set aside in a Flexible Spending Account (FSA). However, the Flexible Spending Accounts require careful planning before you enroll in either or both of them, because federal income tax regulations impose a “use-it-or-lose-it” rule on this money. Many employees may be able to save at least 22.65% in taxes (1999 minimum federal income tax rate of 15% and Social Security (FICA) rate of 7.65%) with these Accounts. However, there is risk involved since you will lose any money in your FSA that is not used for eligible expenses incurred during the Plan Year.

The Health Care Account gives you a way to pay for eligible medical, dental and vision expenses for you and your dependents – expenses that are not covered by the WSRC/BSRI Health Choice options or any other benefit plan.

The Dependent Care Account allows you to use pre-tax money to pay for job-related day care services (such as babysitters) for your dependents – children or adults – so that you (and your spouse if you are married) can work or seek work. Eligible dependents are your children under age 13 and disabled dependents of any age who meet the IRS dependent definitions described in IRS Publication 503. This Account is **not** for your dependents’ health-related expenses.

Key Provisions of Flexible Spending Accounts

Health Care FSA	<ul style="list-style-type: none">• Pre-tax reimbursement for eligible health care expenses<ul style="list-style-type: none">— deductibles, co-pays and patient coinsurance— expenses that exceed plan payment limits— IRS-approved expenses that are not covered by WSRC/BSRI medical, dental and vision plans• Maximum contribution of \$3,000 per calendar year; minimum of \$96 per calendar year• Unclaimed, unapproved or unused money in your Account will be forfeited at year-end
Dependent Care FSA	<ul style="list-style-type: none">• Pre-tax reimbursement for eligible nursery school, day care, babysitting and home care expenses<ul style="list-style-type: none">— care required for an eligible dependent so that you (and your spouse if you are married) may work or seek work— children under age 13— dependents of any age who are physically or mentally disabled• Maximum contribution of \$5,000 per household per calendar year; minimum of \$96 per calendar year• Restrictions based on federal tax filing status• Unclaimed, unapproved or unused money in your Account will be forfeited at year-end

This book provides the details of your Flexible Spending Account options. Read it carefully and refer to it whenever you have a question about your Flexible Spending Account benefits.

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Participating in the Accounts

Eligibility

If you are a full service employee of the WSRC Team or a BSRI Option A Craft employee, you may enroll in the Flexible Spending Accounts (FSAs) on your first day of employment. FSA participation and payroll deductions will begin on the first day of the following month.

Enrolling in the Accounts

On your first day of employment, you will complete during the benefits sign-up process a “Health Choice New Hire Enrollment” form on which you may elect to participate in the Flexible Spending Accounts. You will be allowed to make any changes during your first two weeks of employment by completing a “Health Care Enrollment/Change” form (OSR 5-200) and returning it to Benefits Administration.

Your FSA participation will be effective on the first day of the month following your enrollment.

Unless you are a newly hired employee, your participation in the Flexible Spending Accounts can only begin on January 1 of the following year, after you elect to participate during the annual enrollment process, or if you have a qualifying Change in Status (see the Benefits Overview and General Information book for additional information).

When you participate in the annual Health Choice enrollment process, you will be asked to elect:

- Whether you want to participate in one of the Flexible Spending Accounts, both of the Accounts ... or neither Account; and
- The amount, if any, that you want to contribute monthly/weekly to each Account.

During the Health Choice annual enrollment period, your Health Care and/or Dependent Care FSA participation and contribution will remain at the same level for the next calendar year if you make no changes. Your election(s) will automatically continue with the same monthly or weekly contribution amount from one calendar year to the next, unless you provide specific instructions (using the Telephone Enrollment System) to change your FSA contribution amount or discontinue your enrollment.

Shortly before the annual enrollment period begins, you will receive a Personalized Enrollment Worksheet and Confirmation Statement. It is important that you carefully review this Statement and decide if you want to make any changes to your current Health Choice elections for the next calendar year, including your level of FSA participation. If you don't make any changes during the annual Health

You are required to notify Benefits Administration of any family status change within 60 days of the event and follow the instructions in the Benefits Overview and General Information book for requests to change elections.

Your election to participate in the Health Care FSA must stay in effect for the full calendar year. However, you will be able to enroll in or terminate your participation from the Health Care FSA if you have an appropriate qualifying Change in Status. You may change your Dependent Care Flexible Spending Account contribution amount, or enroll in or terminate your participation from the Dependent Care FSA, if you have a qualifying Change in Status (marriage, new birth, etc.) under federal income tax regulations.

Money contributed in one FSA Plan Year that is not reimbursed to you cannot “roll” or be added to contributions made in the next Plan Year, even if you allow your FSA election(s) to automatically continue. Contributions made in each Plan Year are available for reimbursement of eligible expenses incurred during that particular Plan Year only.

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Choice enrollment process, your current year’s elections, as shown on your Personalized Enrollment Worksheet and Confirmation Statement, will automatically continue for the next calendar year.

If you make a change to your FSA election during the annual enrollment process by using the automated Telephone Enrollment System, you will receive a revised Confirmation Statement. If you discover that you made an error during the enrollment process and need to make a change to your FSA enrollment or contribution amount, you must notify Benefits Administration within the timeframe stated on the Confirmation Statement.

You may request reimbursement of eligible expenses incurred only after your participation is effective.

When Participation Ends

If you elect to discontinue your FSA enrollment during the annual Health Choice enrollment process, your participation in the Flexible Spending Accounts will end as of December 31 of the current plan year.

Your eligibility for the Flexible Spending Accounts — and your access to money in the FSAs — ends when you are no longer employed by the WSRC Team. FSA claims may only be reimbursed for services that were incurred during the period of coverage; that is, while you were making contributions to your FSA. FSA participation ends on the last day of your pay period in which your employment terminates. For example, if you are a monthly-paid employee and your employment termination date is March 22, you cannot be reimbursed from your Health Care and/or Dependent Care Flexible Spending Account for any eligible services you or your dependents incurred after March 31.

You may be eligible to continue to participate in the Health Care FSA by enrolling in COBRA continuation coverage. For more information, see “Termination of Participation and Benefits” on page 18 of this book and COBRA continuation coverage in the Benefits Overview and General Information book. Continuation of a Dependent Care FSA is not offered through COBRA.

Mid-Year Enrollment or Contribution Changes

Upon the occurrence of a qualifying Change in Status, certain changes to Flexible Spending Accounts are allowable in mid-year (after the annual enrollment period has been completed) which are consistent with the qualifying Change in Status. Refer to the Benefits Overview and General Information book for an explanation of qualifying Changes in Status.

After you enroll in the Health Care FSA, you will not be allowed to change your monthly/weekly contribution amount until the next annual enrollment period unless you experience a qualifying Change in Status.

Health Care FSA

After the annual enrollment period has expired (for the FSA Plan Year effective January 1 of the following year), you may (1) enroll or (2) terminate your participation in the Health Care FSA only with a qualifying Change in Status (for example, you get married). Your request to enroll or terminate must be consistent with your qualifying Change in Status **and** you must provide to Benefits Administration a completed Health Care Enrollment/Change form (OSR 5-200) within 60 days of the event, along with appropriate documentation. Changes due to a qualifying Change in Status and approved by Benefits Administration will take effect on the date of the event. If this form is not received by Benefits Administration within 60 days of the event, the change will not be recognized. With a qualifying Change in Status, you cannot increase or decrease (except to \$0.00) your Health Care FSA contribution amount – you can only enroll in or terminate your participation from the Health Care FSA.

Dependent Care FSA

After the annual enrollment period has expired (for the FSA Plan Year effective January 1 of the following year), you may (1) enroll, (2) terminate your participation or (3) change your monthly/weekly contribution amount in the Dependent Care FSA only with a qualifying Change in Status (for example, you or your wife has a baby). Your request to enroll, terminate or change your contribution amount must be consistent with your qualifying Change in Status **and** you must provide to Benefits Administration a completed Health Care Enrollment/Change form (OSR 5-200) within 60 days of the qualifying event, along with appropriate documentation. Changes due to a qualifying Change in Status and approved by Benefits Administration will take effect on the date of the event.

Your Contributions

Your monthly/weekly contributions fund the Flexible Spending Accounts and are used for reimbursement of eligible expenses. Your FSA contributions are taken from your pay before Social Security, federal and most state income taxes are calculated and withheld. In effect, the amount you set aside in an FSA constitutes a reduction in your regular pay for the purpose of funding your out-of-pocket health care and dependent care expenses. While the Company does not contribute to your Flexible Spending Accounts, it does pay most of the cost of administering the FSAs. Blue Cross and Blue Shield of South Carolina is the FSA Claims Administrator.

The Health Care FSA

Contributing to the Account

The Health Care Flexible Spending Account lets you reimburse yourself for eligible expenses not covered by the WSRC/BSRI Health Choice Medical, Dental and Vision options you elected, or by any other employer's plan in which you or your eligible dependents participate. Eligible expenses must be incurred by you or your dependents.

If you elect to contribute to the Health Care FSA, you can deposit a maximum of \$3,000 a year — \$250 monthly or \$63 weekly. The minimum deposit to this Account is \$8 monthly or \$2 weekly. Your contributions are credited to your Health Care FSA in equal amounts each pay period. However, if you are paid weekly and choose the maximum contribution, your final weekly contribution of the year will be reduced so that your total contribution for the year does not exceed the annual maximum contribution of \$3,000. When you submit a claim for eligible expenses, you will be reimbursed from your Account (see “Submitting a Health Care FSA Claim”) up to your annual elected amount, reduced by prior claims during the Plan Year.

The total amount you choose to contribute should reflect your best estimate of expected eligible out-of-pocket expenses for the next calendar year. Money in the Health Care FSA can only be used to reimburse you for certain health care expenses (medical, dental, vision and hearing); that is, expenses that would otherwise be eligible for a federal income tax deduction under the Internal Revenue Code of 1986, as amended.

Example

Let's take a look at two different employees — John, who pays out-of-pocket medical bills through the use of a Health Care FSA, and Mary who doesn't use an FSA. For this example, assume that these employees both pay 25% of their annual pay in federal and state income taxes and 7.65% in Social Security tax. Also, John and Mary both estimate that they will spend \$600 a year for medical, dental and vision expenses that are not reimbursable through their WSRC/BSRI medical, dental and vision care plans.

Money left in your FSA that has not been used to reimburse you for expenses incurred during the FSA Plan Year will be forfeited under federal income tax regulations. That's why it's so important to estimate your contribution amount wisely. Also, as an additional word of caution, expenses that are not properly submitted for reimbursement by the established deadline (April 15 of the following calendar year) and/or without the proper documentation will also be forfeited.

	John Participates in the Health Care FSA	Mary Does Not Use the Health Care FSA
Annual Pay	\$ 50,800	\$ 50,800
Minus: FSA Contribution	- <u>600</u>	<u>0</u>
Taxable Income	\$ 50,200	\$ 50,800
Minus: Federal & State Taxes (25% in this example)	- 12,550	- 12,700
Minus: Social Security Tax (7.65%)	- 3,840	- 3,886
Take-Home Pay	\$ 33,810	\$ 34,214
Minus: Out-of-Pocket Health Care Expenses	- 600	- 600
Plus: Reimbursement from FSA	+ 600	0
Net Pay After Paying for Health Care Expenses	\$ 33,810 (\$196 more than Mary)	\$ 33,614

In the above example, John will end up having \$196 more by paying his \$600 in health expenses through the Health Care FSA on a before-tax basis. In other words, by contributing to the Health Care FSA, he will avoid having \$196 withheld from his pay in taxes.

Eligible Family Members

The money deposited into the Health Care FSA is used to reimburse you for various expenses incurred during the Plan Year by you and your eligible family members. Your eligible dependents for the Health Care FSA are dependents as defined by the Internal Revenue Code of 1986, as amended. This means a person who depends on you for over 50% of his or her support. But you do not necessarily have to claim the individual as a dependent on your federal income tax return.

The dependents for whom you file reimbursement claims under your Health Care FSA are not required to be covered under the WSRC/BSRI medical, dental or vision options. The difference between your dependents under the FSA and under your other Health Choice options (medical, dental and vision) is that the Health

Federal income tax regulations require that you will forfeit any unreimbursed monies left in your Account. This is commonly called the “use-it-or-lose-it” rule. Estimate your contributions wisely and conservatively.

Care FSA allows you to submit the expenses of family members who qualify under federal income tax law as dependents for federal income tax purposes. For example, this could include your dependent parent, grandparent, brother or sister. These family members are not considered eligible dependents under the Health Choice medical, dental and vision options. Of course, the Health Care FSA also covers your spouse and children who qualify as dependents for federal income tax purposes.

Eligible Health Care Expenses

Eligible health care expenses include:

- Deductibles, copayments and coinsurance — the portion of covered expenses that you pay under the WSRC/BSRI Health Choice medical, dental or vision options
- Medically necessary medical care expenses not covered or reimbursed by any plan in which you are enrolled
- Expenses that exceed the maximum limits under the Health Choice medical, dental or vision options, including amounts that exceed Reasonable and Customary (R&C) limitations
- Routine physical examination and preventive testing expenses not covered under the Health Choice medical options
- Medically necessary dental, vision and hearing expenses not covered or reimbursed by any plan in which you are enrolled
- Out-of-pocket expenses for prescription drugs that are prescribed by a doctor, even though they may not be covered by your medical plan (for example, drugs prescribed for birth control or impotency)
- Health care related transportation costs and other expenses which are allowable by federal income tax regulations as “deductible” for federal income tax purposes.

Out-of-Pocket Orthodontic Expenses

The Internal Revenue Service has clarified how expenses for orthodontics (braces to straighten teeth) can be reimbursed under a flexible benefits plan:

- Services must be performed and paid for within the same Plan Year (calendar year).
- Orthodontic expenses may only be reimbursed from FSA Plan Year funds during which the services were performed and paid.
- Orthodontic expenses will be reimbursed only to the extent the expenses exceed any other type of reimbursement, such as orthodontic coverage under a dental insurance plan.
- Lump sum orthodontic payments, however, may be reimbursed from the FSA only for services performed and paid in the Plan Year during which the future services will be performed. For example, if the service agreement with the dentist covers 24 months – January of one year through December of the next year – and a lump sum payment for the full 24 months of service is made by the FSA participant in the first year, then only the portion of the lump sum payment allocated to the first year of services may be reimbursed from the first year's FSA. The portion of the first year's lump sum payment allocated to the second year of orthodontic services will not be eligible for reimbursement from either the first year's or second year's FSA funds.

You should plan carefully when making your annual FSA election when orthodontic expenses will be involved. Reimbursement of your lump sum payment to the dentist may be ineligible if any of the orthodontic services (for which the lump sum payment is made) will be performed in a subsequent Plan Year.

IRS Publication #502, "Medical and Dental Expenses" and the Blue Cross and Blue Shield of South Carolina Customer Service Line can help provide you with more information on eligible FSA expenses.

NOTE: Expenses must be incurred during the WSRC/BSRI Health Care FSA Plan Year in which you participate and make contributions. The preceding list of expenses is only a general guide to the type of expenses reimbursable from the Health Care FSA at the time this book was published. Federal income tax laws and regulations may change the items that qualify as eligible expenses.

Examples of Non-Reimbursable Expenses

Federal income tax regulations as summarized in IRS Publication 502 govern which health care expenses are eligible for reimbursement from the Health Care FSA. Some examples of *non-reimbursable* expenses include:

- Deposits which are applied to eligible expenses for services that will be rendered during a subsequent FSA Plan Year, or payments made during the year for services that were rendered in a previous FSA Plan Year

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- Face lifts, hair transplants, hair removal, liposuction and generally most types of cosmetic surgery performed only to improve appearance (however, in some situations reconstructive surgery is allowable for reimbursement; see IRS Publication 502 for additional information)
 - Weight loss programs or medications for your **general** health, even if prescribed by your doctor. (Note: Blue Cross and Blue Shield of SC may approve for FSA reimbursement certain weight loss programs prescribed by a physician if considered medically necessary treatment for specific serious medical diagnoses including hypertension, diabetes, heart disease, high cholesterol, arthritis or circulatory problems.)
 - Swimming lessons or health club dues
 - Employee premium contributions for WSRC/BSRI Health Choice benefits coverage or premiums paid for other health plan coverage, including premiums paid by your spouse or other dependents. (Note: Your WSRC/BSRI Health Choice employee contributions are deducted from your pay before taxes are withheld.)

The Dependent Care FSA

Contributing to the Account

The Dependent Care FSA works in much the same way as the Health Care FSA. It lets you reimburse yourself for eligible child and dependent care expenses with before-tax money to pay for job-related day care services (such as babysitters) for your dependents – children or adults – so that you can work or seek work. See the sections that follow on “Eligible Family Members,” “Eligible Dependent Care Expenses” and “Special Provisions” to determine if you qualify to participate.

If you elect to contribute to the Dependent Care FSA, you can deposit a maximum of \$5,000 annually — \$417 monthly or \$105 weekly. The minimum deposit to this Account is \$8 monthly or \$2 weekly. Your contributions are credited to your Dependent Care FSA in equal amounts each pay period. However, if you choose the maximum contribution (\$417 per month or \$105 per week), your final contribution of the year will be reduced so that your total contribution for the year does not exceed the annual maximum contribution of \$5,000. When you submit a claim for eligible expenses, you will be reimbursed from your Account (see “Submitting a Dependent Care FSA Claim”).

The “use-it-or-lose-it” rule also applies to the Dependent Care FSA.

NOTE: Dependent Care FSA expenses do not include medical expenses for your dependents. Health care expenses are only reimbursable through the Health Care FSA. As with the Health Care FSA, the total amount you choose to contribute should be based on your expected child and/or dependent care expenses for the next calendar year. Amounts not reimbursed for eligible expenses incurred during the calendar year are forfeited under federal income tax regulations.

Special Limits on Your Contributions

If you are married and file a joint return, the amount you can contribute to the Dependent Care Flexible Spending Account cannot be greater than the annual earned income of you or your spouse, whoever earns less (but not more than \$5,000 a year per household). If you are married and file separate federal income tax returns, the annual maximum is \$2,500 per taxpayer.

If your spouse is a full-time student in school at least five months a year, or is physically or mentally incapable of self-care, additional limits apply to your contributions. The IRS assumes your spouse has earned income of at least \$200 a month (if you have one dependent) or \$400 a month (if you have two or more dependents). These income levels are the maximum you can contribute monthly.

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Contribution and eligible expense restrictions follow federal income tax regulations for use of the federal income tax credit. For information about the federal income tax credit, refer to IRS Publication #503, "Child and Dependent Care Expenses."

Eligible Family Members

The Dependent Care FSA allows you to be reimbursed for eligible child and/or dependent care services provided for certain family members. Your eligible family members are:

- Your children under age 13, or
- A person of any age who spends at least eight hours a day in your home and is physically or mentally incapable of self-care.

To qualify as an eligible family member, the person must meet the Internal Revenue Service definition of a dependent for federal income tax purposes. Generally, this means you must provide more than 50% of the individual's financial support for the year. But you are not required to claim the individual as a dependent on your federal income tax return.

Eligible Dependent Care Expenses

Eligible dependent care expenses include:

- A sitter or nurse in or out of your home, provided the sitter is over age 18 and not your dependent
- A day care center or other provider outside your home that complies with state and local licensing laws
- A day camp during school vacation (if not primarily for educational purposes)
- A licensed nursery school, even though the school provides lunch and educational services
- Cost of schooling below first grade if the cost of schooling cannot be separated from the cost of the child's care
- A housekeeper, maid or cook, only if at least part of their services are to provide day care for a person who qualifies as an eligible family member.

NOTE: You are required to furnish the federal Taxpayer Identification Number or Social Security Number of your dependent day care provider, where applicable, on your federal income tax return and on your Dependent Care FSA Reimbursement Claim Form. Failure to do so will, in most cases, make you ineligible to receive a federal income tax credit or reimbursement from the Dependent Care FSA.



Special Provisions

These special provisions apply to the Dependent Care FSA:

- A dependent care expense is eligible only if it is incurred in order for you (and your spouse if you are married) to work or seek work.
- You cannot participate in the Dependent Care FSA if your spouse is unemployed and not actively seeking employment, or employed in a non-paying capacity, unless your spouse is disabled or a full-time student for at least five months during the year.
- You can count work-related expenses you pay to a relative who is not your dependent, even if he/she lives in your home. However, dependent care expenses cannot be reimbursed for fees paid to your child under age 19, or to anyone you could legally claim as a dependent for federal income tax purposes.
- If the expenses are for a child care center and the child care center provides care for more than six children, the facility must comply with all applicable state and local regulations.
- You will not receive benefits for any services provided for the care of a dependent outside your home unless the dependent meets the requirements for an eligible family member (is under age 13 or is an IRS-qualified dependent that regularly spends at least eight hours a day in your home).
- You must provide the correct name, address and Federal Taxpayer Identification Number or Social Security Number of the dependent care provider on IRS Form 2441 when filing for the Dependent Care Tax Credit **or** when claiming reimbursement under the Dependent Care FSA.

NOTE: These guidelines provide general information about the types of expenses currently reimbursed from the Dependent Care FSA. Final determination on all deductions rests with the Internal Revenue Service. You may wish to refer to IRS Publication #503, “Child and Dependent Care Expenses,” for more information.

Federal Income Tax Credit

You can use the federal income tax credit or Dependent Care FSA for dependent care expenses, or both, as long as you do not claim the same expense under both the Dependent Care FSA and the federal income tax credit. However, because federal income tax laws can change, it is recommended that you consult a tax advisor to determine which method is best for you.

You can use the federal income tax credit currently available for dependent care expenses instead of the Dependent Care FSA. You also can use the federal income tax credit for expenses which exceed the amount you contribute to the Dependent Care FSA. However, you cannot claim the same expense under both the Dependent Care FSA and the federal income tax credit. The amount of expenses eligible for the federal income tax credit is reduced dollar-for-dollar by the amount of eligible expenses reimbursed with your pre-tax dollars through your Dependent Care FSA.

The tax savings to you from the Dependent Care FSA versus the federal income tax credit will vary based on your total household income, the number of eligible family members you have, your annual day care expenses and your tax filing status. Here are some points to consider:

The higher your annual dependent day care expenses, you may be better off using the Dependent Care FSA. If your annual dependent day care expenses are greater than \$2,400 for one child or \$4,800 for two or more children, the Dependent Care FSA will generally create a tax savings for you regardless of your federal income tax bracket.

If your dependent day care expenses are equal to or less than \$2,400 for one child or \$4,800 for two or more children, you should compare your federal income tax rate to the federal income tax credit percentage that applies to you, in order to decide the most advantageous tax treatment.

If your federal income tax rate is higher than the applicable federal income tax credit percentage, you may receive a tax benefit by using the Dependent Care FSA rather than the federal income tax credit. If your federal income tax rate is lower than the applicable federal tax credit percentage, you may be better off taking advantage of the federal income tax credit.

Given the complexity of and potential for change to current tax laws, you should consult a tax advisor for advice on how to make the best use of both the federal income tax credit and the Dependent Care FSA.

Tax Advantages of Both Accounts

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The tax savings of Flexible Spending Accounts can be significant. Look at it this way: An employee in the 15% federal income tax bracket, paying 7% of earnings in state income tax and 7.65% for Social Security (FICA), would ordinarily have to earn \$143 to pay out-of-pocket health care or dependent care expenses of \$100 after taxes, as shown below:

Earned Income						\$143.00
Federal Income Tax	15.00%					
State Income Tax	7.00%					
FICA (Social Security Tax)	<u>7.65%</u>					
	29.65%	x	\$143.00	=	-	<u>42.40</u>
Money Remaining to Pay Expenses						\$100.60

By using the FSA, however, the \$100 health or dependent care expense can be paid with \$100 of earnings since no taxes are paid on this money. Your actual savings will depend on your overall family tax bracket. However, regardless of your tax bracket, you give yourself a cash discount every time you pay for health care or dependent care services with money contributed to the Flexible Spending Accounts.

IRS Forfeiture Rules

It is essential to estimate expenses carefully when deciding how much to contribute to your Health Care and/or Dependent Care FSA. Federal income tax regulations require that the amount you contribute be fixed for the entire calendar year (unless you have a qualifying Change in Status). Any money in your FSA that is not used for eligible services incurred during the Plan Year must be forfeited. Any forfeitures shall revert to the Plan Sponsor as indicated in the Plan Directory located in the Benefits Overview and General Information book.

The funds you allocate to the Health Care and/or Dependent Care FSAs must be used to reimburse eligible expenses (in accordance with federal tax regulations) incurred during the Plan Year and filed with the FSA Claims Administrator no later than April 15 of the following year. Any amount remaining in your Flexible Spending Account, after all eligible expenses have been paid for the Plan Year, is forfeited subject to applicable law and regulations.

You have until April 15 (postmark date) of the year following the FSA Plan Year to submit Flexible Spending Account claims, including all required documentation (such as Explanations of Benefits from drug claims, for example), to Blue Cross and Blue Shield of South Carolina for eligible expenses that were incurred during the Plan Year. Any FSA claims filed after this date or without the proper documentation will not be reimbursed and the remaining amounts in your Account will be forfeited.

Federal income tax regulations require that you specify how the money will be used – for health care or dependent care – because the Health Care FSA and the Dependent Care FSA are totally separate accounts. You may, of course, contribute to one or both of these Accounts, but money in the Health Care FSA may only be used for IRS-approved medical, dental, vision and other eligible health care expenses.

Money in the Dependent Care FSA may only be used for child and/or dependent care expenses. If you participate in both FSAs, the amount you contribute to one Account cannot be transferred to the other Account.

How Participation Affects Other Benefits

Social Security

The contributions you set aside in your Flexible Spending Account are not taxed for Social Security purposes (or federal and most state income taxes). The tax savings make FSAs financially attractive to use. If your annual salary is at or below the Social Security taxable wage base, your Social Security wages — and taxes — for the year will be lower. This could result in slightly lower Social Security benefits in the future. For most people, though, the tax savings will more than outweigh any reduction in future Social Security benefits. You should consult with a tax advisor to make the best use of the FSAs.

Other Benefits

Other salary-based benefits, such as disability and life insurance offered by the WSRC Team, will not be affected by your participation. These benefits will continue to be based on your annual base salary before any contributions to the Flexible Spending Accounts.

Reimbursements from the FSA

Filing for Reimbursement

Once you have enrolled, your contributions will be deducted automatically from your paychecks throughout the year and deposited into your Flexible Spending Account. As you incur eligible expenses throughout the year, you should submit a claim for reimbursement from your FSA. The Plan can only reimburse you for expenses not covered by another plan.

Your FSA claims must be for services received during the calendar year in which your contributions to the Account were made. You will have until April 15 of the following year to submit your FSA claims to Blue Cross and Blue Shield of South Carolina for expenses incurred during the Plan Year. If your FSA claims – complete with all appropriate attachments such as Explanations of Benefits – are not post-marked by April 15 of the year following the Plan Year, any money remaining in either FSA will be forfeited under federal income tax regulations. See additional information in this book about forfeiture rules.

Submitting a Health Care FSA Claim

The Health Care FSA Reimbursement Claim form is used for reimbursement of eligible health care expenses. This form – OSR 5-343 – is available electronically on ShRINE.

When filing a claim for reimbursement under your Health Care FSA, you will need to attach an Explanation of Benefits (EOB) to your claim form. An EOB will be mailed to you after a medical, dental, prescription drug or other health care claim has been processed.



Because processing time for a medical or dental claim, and particularly a prescription drug claim, can delay your receiving an EOB, it is important that you not wait until you're near the FSA submission deadline (April 15 of the following calendar year) to have your prescription drugs and other claims processed under the medical plan. Don't delay sending your claims in!

Unless you're enrolled in BlueChoice HMO, your Prescription Drug claims must be processed under the "PAID" Prescription Drug Discount Program. The extra step involved in submitting a prescription drug claim can delay your receiving an EOB, which is necessary in order to file for reimbursement from your Health Care FSA.

In certain cases, a cash receipt from a service provider may serve as an acceptable substitute for an Explanation of Benefits. Blue Cross and Blue Shield of South Carolina can advise you on whether a cash receipt is acceptable. For example, if you purchase a hearing aid – not covered by the medical plans – you may attach the receipt from your hearing aid dealer to your Health Care FSA Claim form.

If you are enrolled in BlueChoice HMO (in which you pay only copayments and receive no EOBs), you should ask your HMO provider for a copay receipt; then attach the receipt to your FSA Claim form.

If you are enrolled in the Vision Choice Plan, you should attach the receipt from your eyecare provider (or attach an EyeMed Vision Care EOB) to your Health Care FSA Claim form. If you are not enrolled in the Vision Choice Plan, make a note on your receipt that "I am not enrolled in the Vision Care plan" and sign your name to this notation.

Reimbursements from the Health Care FSA are made as eligible expenses are received ... up to your annual contribution (there is, however, a minimum amount per reimbursement check of \$20.00). Reimbursements from the Dependent Care FSA are made on a monthly basis in accordance with your account balance. Contact Blue Cross and Blue Shield of South Carolina for additional information.

Minimum Amount of Reimbursement Check

In an effort to help reduce administrative expenses, Blue Cross and Blue Shield of South Carolina issues FSA reimbursement checks amounting to at least \$20.00. Claims for reimbursement totaling less than \$20.00 will be combined with your next claim(s) received and processed, so that a check for at least \$20.00 will be prepared. At the end of the filing period, checks for less than \$20.00 will be issued if necessary.

Coordinated Claims

If you send a medical or dental claim to another insurance plan for coordination of benefits — such as to your spouse's employer's plan — wait until the second plan has processed the claim and provides you or your spouse with an Explanation of Benefits (EOB). Then, you can submit both EOBs attached to a Health Care FSA reimbursement form to Blue Cross and Blue Shield of South Carolina.

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How Reimbursements Are Made

Reimbursements are made as eligible expenses are received up to your annual Health Care FSA contribution, with a minimum amount per reimbursement check of \$20.00. In response to your Health Care FSA claim, you will receive an FSA Explanation of Benefits which itemizes the health care expenses reimbursed. You can contact Blue Cross and Blue Shield of South Carolina at the toll-free Customer Service number, 1-800-325-6596, for assistance.

Submitting a Dependent Care FSA Claim

For dependent care claims, you must submit a completed Dependent Care FSA Reimbursement Claim form (OSR 5-344). This form is available electronically on ShrINE.

The original bill – including the provider's name and address, the dates of service and the provider's federal Taxpayer Identification Number or Social Security Number – must be attached to your claim form. Provider bills that include day care costs as a part of tuition for a child in the first grade (or higher) are not acceptable unless the day care cost is shown as a separate item. However, for a child who has not reached the first grade, a provider bill that combines pre-kindergarten (or kindergarten) tuition and daycare expenses will be acceptable for reimbursement.

Blue Cross and Blue Shield of SC will not process your request for Dependent Care FSA reimbursement if your provider's Federal Taxpayer ID or Social Security Number is not provided each time! Make sure your provider includes this information on your bill.

If you are married, you will be asked to certify that each claim for dependent care reimbursement from your FSA, together with any prior dependent care claims made during the calendar year, will not exceed the lesser of your earned income or the earned income of your spouse.

How Reimbursements Are Made

Reimbursement from the Dependent Care FSA is made monthly. You will receive an FSA Explanation of Benefits from Blue Cross and Blue Shield of South Carolina for any month in which you have submitted claims. You can contact Blue Cross and Blue Shield of South Carolina at the toll-free number, 1-800-325-6596, for assistance.

Summary of Activity in the FSA

Blue Cross and Blue Shield of South Carolina sends all FSA participants a Summary Detail Statement of FSA activity at the end of October. This summary is sent even when no reimbursements have been made from your Health Care or Dependent Care FSA. It shows the status of your Flexible Spending Account balance and the amount of reimbursed claims.

Termination of Participation and Benefits

Health Care FSA

Your participation and access to money in the Health Care FSA ends when your employment ends. However, you may be eligible to continue the Health Care FSA under COBRA continuation coverage as explained in the Benefits Overview and General Information book.

If you terminate your employment, are laid off or retire from the WSRC Team, and do not elect FSA continuation coverage through COBRA, then you can no longer contribute to or access money in your Health Care FSA for claims incurred on dates after your termination date. You have until April 15 of the following year to submit FSA claims for eligible expenses.

If you die while actively employed, your dependents may submit claims only for expenses incurred up to the date of your death. However, your dependents may continue to participate in the Health Care FSA for a limited time by enrolling in COBRA continuation coverage within 60 days of your death. Contact Benefits Administration for details.

Dependent Care FSA


Your participation and access to money in the Dependent Care FSA ends when you are no longer a full service employee of the WSRC Team. COBRA continuation coverage is not available for the Dependent Care FSA.

If you terminate your employment, are laid off or retire from the WSRC Team, you can no longer make contributions to your Dependent Care FSA. Claims for dependent care services incurred after your termination date will not be reimbursable. You will have until April 15 of the following year to submit claims for eligible expenses.

If you die while actively employed, your dependents may submit claims only for expenses incurred up to the date of your death.

ERISA Information

As a participant in the WSRC/BSRI Health Choice benefits plans, you are entitled to certain rights and protection under the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The official documents which govern the Flexible Spending Accounts dictate the actual operation of the Plan and the payment of benefits. For more information on your ERISA rights and administration of the Plan, including important Plan Information, refer to the Benefits Overview and General Information book.



Eligibility for benefits should not be viewed as a guarantee of employment. Also, while WSRC/BSRI intends to continue providing a comprehensive benefits program, WSRC/BSRI reserves the right to modify or terminate any of the benefit plans at any time. For more information on the procedures to modify or terminate benefit plans, refer to the Benefits Overview and General Information book.